

## Message Text

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17

ACTION EA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

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R 130919Z JAN 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 6049

INFO AMEMBASSY TAIPEI

AMCONSUL HONG KONG

USLO PEKING

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E.O. 11652: N/A

TAGS: ETRD JA CH

SUBJECT: FUJIYAMA AND INAYAMA BUSINESS MISSIONS TO PRC

REF: 75 TOKYO 18173

SUMMARY. MITI AND FONOFF OFFICIALS HAVE CONFIRMED PRESS REPORTS THAT MITI BRIEFED DOMESTIC INDUSTRY REPRESENTATIVES ON ITS DRAFT PROPOSAL FOR LONG-TERM OIL IMPORT AGREEMENT WITH CHINA ON EVE OF JAPAN-CHINA ECONOMIC ASSOCIATION (JCEA) MISSION TO CHINA HEADED BY INAYAMA, PRESIDENT OF KOKUSAI OIL CO., LTD., NOW SCHEDULED TO DEPART JANUARY 19. END SUMMARY.

1. DEPUTY CHIEF OIKAWA OF NORTH ASIA DIVISION OF MITI'S INTERNATIONAL TRADE POLICY BUREAU CONFIRMED THAT MITI'S DRAFT WOULD COVER TERM OF YEARS 1977-1986, WITH JAPAN'S OIL IMPORTS FROM CHINA SLATED TO RISE FROM 10 MILLION METRIC TONS IN 1977 TO 15 MILLION-PLUS IN 1981 WITH PRICES AT WORLD MARKET LEVELS, AND IS COUCHED IN THE FORM OF

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A GOVERNMENT-TO-GOVERNMENT AGREEMENT BETWEEN MITI

AND CHINA FOREIGN TRADE MINISTRY. HE IMPLIED JAPAN COULD TAKE UP TO 15 MILLION MT OF CHINESE CRUDE ANNUALLY WITHOUT REQUIRING NEW FACILITIES. OIKAWA CONFIRMED FURTHER REPORTS THAT JAPANESE BUSINESS IS RELUCTANT TO COMMIT ITSELF TO TAKE SUCH QUANTITIES IN THE ABSENCE OF STRONGER SIGNS OF ECONOMIC RECOVERY OR FIRMER PROJECTIONS OF JAPAN'S LONGER TERM ENERGY NEEDS.

2. THE UPSHOT IS, ACCORDING TO OIKAWA (MITI) AND MINE OF FONOFF'S CHINA DIVISION, THAT WHILE MITI WOULD LIKE INAYAMA MISSION TO SOUND OUT WHAT CHINESE HAVE IN MIND, THERE IS STILL NO AGREEMENT AMONG JAPANESE AGENCIES AND INDUSTRIES ON SPECIFIC TERMS OF A PROPOSAL.

3. THE CHINESE ARE BELIEVED TO DESIRE A HIGHER LEVEL AND RATE OF INCREASE IN OIL SHIPMENTS THAN JAPAN COULD NOW AGREE TO, OIKAWA SAID. OIL IMPORTS FROM CHINA IN 1976 ARE EXPECTED TO STAGNATE OR DECLINE SLIGHTLY FROM THE APPROXIMATELY 8 MILLION MT PURCHASED IN 1975 (SWOLLEN BY 900,000 MT CARRY-OVER FROM 1974), BUT SHOULD PICK UP IN 1977. OVER NEXT 5-10 YEARS MITI SEES CHINA'S SHARE EXPANDING SLIGHTLY FASTER THAN JAPAN'S TOTAL OIL IMPORTS, SOMEWHERE IN 5-10 PERCENT RANGE, OIKAWA SAID.

4. COMMENTING ON OTHER PRESS SPECULATION, OIKAWA SAID HE DID NOT EXPECT OIL FROM CHINA TO DISPLACE IMPORTS FROM INDONESIA (THOUGH HE TACITLY ACKNOWLEDGED THIS HAD TAKEN PLACE IN 1974 AND 1975). HE ALSO EXPRESSED DOUBT OVER REPORTED SPECULATION RE JAPAN-CHINA OIL-STEEL BARTER POSSIBILITIES, NOTING THAT THESE MIGHT HAVE ORIGINATED WITH INAYAMA HIMSELF, WHO IS INVOLVED IN BOTH INDUSTRIES.

5. EMBASSY COMMENT: MITI WANTS TO CONCLUDE AGREEMENT WITH CHINA BY SPRING AND MAY WELL HAVE LEAKED TENTATIVE PARAMETERS TO PRESS IF BUSINESS REPS EXPRESSED RELUCTANCE TO FLOAT THEM WITH CHINESE IN ORDER TO ASSURE OBTAINING SOME REACTION FROM PRC.  
HODGSON

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